



August 28<sup>th</sup>, 2019

Press release on the earnings of Sýn hf. for the first half of 2019:

## Financial results below expectations but positive outlook

Sýn's Q2 2019 financial statement was approved by Sýn's CEO and Board of Directors at a board meeting on August 28, 2019.

At the beginning of the year, the accounting treatment of broadcasting license rights was changed. Broadcasting license rights was classified as inventory but as of January 1, 2019, it is classified as intangible assets. Amounts for 2018 have been restated.

Main results:

- Revenue for the second quarter of 2019 amounted to ISK 5,023 million, a decrease of 3% from the previous year. Revenue in the first 6 months decreased by ISK 189 million between years, or 2%.
- The quarter's EBITDA amounted to ISK 1,216 million, compared to ISK 1,279 million in the second quarter of 2019. The EBITDA margin was 24.2% in the second quarter of 2019 compared to 24.6% in the same quarter last year. EBITDA for the first half of 2019 was ISK 2,476 million, a decrease of ISK 8 million from same period in 2018. Adjusted EBITDA for the first half of 2019 in relation to IFRS 16 affect was ISK 2,165 million compared with ISK 2,468, which is a decrease of ISK 303 million.
- Loss in the period amounted to ISK 215 million which is an increase of ISK 206 million compared to 1H 2018. Profit in the first half of the year amounted to ISK 455 million which is an increase of ISK 413 million from 1H 2018.
- Investment in the period amounted to ISK 1,833 million, thereof ISK 1,006 million in property, plant and equipment and intangible assets (excluding broadcasting license rights) and ISK 827 million in broadcasting license rights.
- Updated EBITDA outlook for 2019 is ISK 5.6 bn. Existing FCF outlook remains unchanged but will be at the lower bound of the range 1.6 - 2.0 bn. The outlook for total investments remains unchanged in the range of 3.8 - 4.2 bn.



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## Quarter two highlights

ISK m	Q2 2019	Q2 2018	Change	% change	6M 2019	6M 2018	Change	% change
Revenue	5,023	5,157	-134	-3%	9,998	10,187	-189	-2%
Cost of Sales	-3,290	-3,158	-132	4%	-6,358	-6,163	-195	3%
<b>Gross Profit</b>	<b>1,733</b>	<b>1,999</b>	<b>-266</b>	<b>-13%</b>	<b>3,640</b>	<b>4,024</b>	<b>-384</b>	<b>-10%</b>
Operating costs	-1,769	-1,810	41	-2%	-3,591	-3,631	40	-1%
<b>EBITDA</b>	<b>1,216</b>	<b>1,270</b>	<b>-54</b>		<b>2,476</b>	<b>2,468</b>	<b>8</b>	
<b>EBIT</b>	<b>-36</b>	<b>189</b>	<b>-225</b>		<b>49</b>	<b>393</b>	<b>-344</b>	
Net Financials	-257	-191	-66	34%	-515	-325	-190	59%
Effect of associates	8	-8	16	-	828	-12	840	-
Income tax	70	1	69	-	93	-14	107	-
<b>Loss</b>	<b>-215</b>	<b>-9</b>	<b>-205</b>		<b>455</b>	<b>42</b>	<b>413</b>	
<i>Gross margin(%)</i>	<i>34.5%</i>	<i>38.8%</i>			<i>36.4%</i>	<i>39.5%</i>		
<i>EBITDA %</i>	<i>24.2%</i>	<i>24.6%</i>			<i>24.8%</i>	<i>24.2%</i>		
<i>EBIT %</i>	<i>-0.7%</i>	<i>3.7%</i>			<i>0.5%</i>	<i>3.9%</i>		

### Heiðar Guðjónsson, CEO:

„The results of the quarter are a disappointment. Previous forecasts failed. The main reasons are price pressure in the telecom market, with offers of free services for a limited time, and broadcasting costs were higher than forecasted.

The new management came in late May and has worked hard this summer. The cost basis of the Company has been lowered with a realized savings later this winter of more than 50 million per month. We have merged business units and reduced number of middle management and employees. We have renegotiated contracts with vendors and reduced their numbers. Our business forecast method has been overhauled which will lead to more accurate earnings estimates.

The entire Company came together in June to produce a new strategic plan. The outcome is very clear and was unanimous. Our employees are therefore well prepared, and motivated, to deliver on our common goals. In relation to the new strategic plan changes have been made to the organizational chart to strengthen communication within the firm and increase collaboration. All income generating divisions now report directly to the CEO, which has also responsibility for human resources and a new division, Communications, which includes the marketing department. A new communication strategy has been produced and our brands have been better defined.

The focus this winter will be on digital transformation and better services for our customers. We have excellent products which we are proud of and need to introduce properly to the market this winter. “





## Q2 2019 Operating Results:

The Company's income during Q2 2019 amounted to ISK 5,023 million, a decrease of 3% from the same period in the previous year.

Income from media operations amounted to ISK 2,170 million in the second quarter, decreasing by 3% between years. Broadband income amounted to ISK 1,208 million in the second quarter, a decrease of ISK 93 million, or by -7%, from the previous year. Mobile income amounted to ISK 944 million and decreased by 2% between years. Income from fixed-line amounted to ISK 228 million during the quarter a decrease of 15% between years. Income from retail sales amounted to ISK 278 million during the period, the same amount as in the same period in 2018. Other income amounted to ISK 195 million during the quarter, increasing by 67% from the previous year.

Cost of sales amounted to ISK 3,290 million an increase of 4% between years. Operating costs amounted to ISK 1,769. EBITDA for the period amounted to ISK 1,216 million, a decrease of ISK 54 million. The EBITDA margin was 24.2% for the period.

Net financial expenses amounted to ISK 257 million in the second quarter, which is an increase of ISK 66 million between years. The increase is primarily due to the implementation of IFRS 16 and exchange rate losses. Loss in the second quarter of 2019 amounted to ISK 215 million, which is an ISK 206 million increase from the same period in 2018.

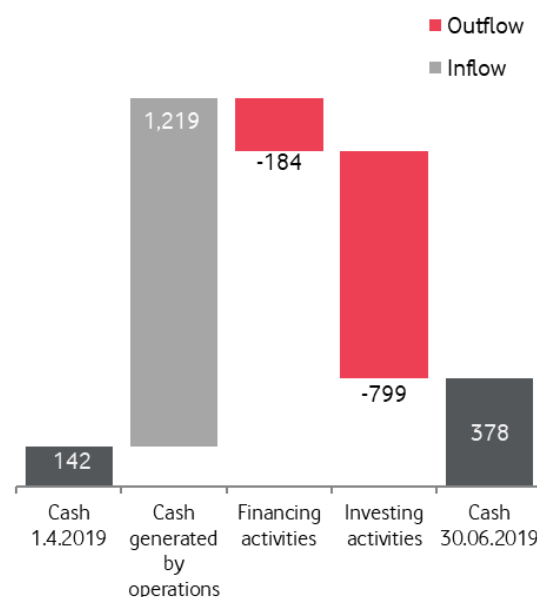
## Q2 2019 Cash flow:

Net cash from operating activities in the second quarter of 2019 amounted to ISK 1,219 million, an increase of 34.4% from previous year.

Investment activities amounted to ISK 799 million, of which investment in property, plant and equipment and intangible assets (excluding broadcasting license right) amounts to ISK 390 million and investments in broadcasting license rights amounted to ISK 409 million.

The Company's financing activities amounted to ISK 184 million in the second quarter of 2019. Cash equivalents at end of the second quarter amounted to ISK 378 million.

Cash flow in Q2  
Changes during the period





## Balance sheet on June 30th, 2019:

Equity at the end of the period was ISK 10,867 million and the equity ratio was 35.6%. Outstanding equity amounted to ISK 2,964 million at the end of the period. The Company's total liabilities were ISK 19,629 million. Net interest-bearing debt amounted to ISK 14,871 million. The current ratio from continuing operations was 1.0.

## Financial Guidance:

Updated EBITDA outlook for 2019 is ISK 5.6 bn. Existing FCF outlook remains unchanged but will be at the lower range of 1.6 - 2.0 bn. The outlook for total investments remains unchanged in the range of 3.8 - 4.2 bn.

## Main news and important milestones during the period:

- Vodafone Iceland interconnected with Amazon's Web Services. Vodafone Iceland is the first Icelandic telecommunications company to establish direct interconnection with Amazon Web Services. This new feature means that businesses using Vodafone's Internet services and run Amazon Web Services are experiencing reduced response time than before, i.e. reduced stalling and the Internet connection becomes faster than before.
- Vísir, one of the media owned by Sýn hf., and Alfred, the biggest web to search for employment in Iceland started a formal collaboration regarding the opening of a new employment web on Vísir. Everyone searching for employment can now conveniently go online and find abundant selection of employment ads categorized by profession.
- At the national congress of the Icelandic search and rescue teams (ICE-SAR) that took place in May, Vodafone in Iceland received the so-called Compass. The Compass is an acknowledgement for close collaboration and important support with ICE-SAR's work over the years, such support is invaluable to ICE-SAR and enhances all their operation.
- Sýn did trial broadcasts of the UEFA and European Champions League finals in Ultra High Definition (Ultra HD / 4K). Channel 2 Sport UHD showed both games in open schedule on IPTV, but customers had to have both set-top box and a TV that supports UHD/4K resolution to enjoy the full quality of the broadcast.
- Sýn and children content provider Hopster extended their partnership for the next three years and will continue to work together to provide Icelandic children with high quality, kidSAFE content in an ad-free environment. The continued partnership will focus on providing more localized content for children aged 2-6 years ranging from episodes, educational content, games and books.
- Channel 2 Sport highlights Icelandic sports this spring. National finals in handball and basketball took place with hundreds of live broadcasts. The national soccer leagues got their due cover as usual. In the stations ambitious cover of the league's total live broadcasts from games in the Pepsi-Max and Inkasso divisions have been around 200. The strength of the station lies in the diversity of sports that can be found there with multiple daily live broadcasts totaling at around 2000 per year.
- Sýn received formal equality certification, but the audit was executed last May by BSI in Iceland. The certification confirms that Sýn maintains an equal pay system that meets the standard of the equal pay standard ÍST 85:2012. The goal of equal pay certification is to combat gender-based wage differences within companies and to support gender equality in the workplace.





## Presentation on August 29th, 2019:

- An open meeting to present the results will be held on Thursday August 29, 2019. The meeting will be held at Sýn hf. headquarters at Suðurlandsbraut 8, 108 Reykjavík and will begin at 8:30am.
- Following the meeting, presentation materials will be available on Sýn's investor relations page at <https://www.syn.is/investors> and in Nasdaq Iceland's news network.
- The meeting will be streamed live at <https://www.syn.is/investors>

## Financial calendar 2019

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|---|-----------------------------|----------------------------------|
| ✓ | Q3 results                  | November 6 <sup>th</sup> , 2019  |
| ✓ | Q4 and annual results 2019  | February 26 <sup>th</sup> , 2020 |
| ✓ | Annual General meeting 2020 | March 20 <sup>th</sup> , 2020    |

## Further information:

- ✓ Bára Mjöll Þórðardóttir, Sýn's director of communications, will answer requests for further information and can be contacted via email, [ir@syn.is](mailto:ir@syn.is) or by telephone, +354 669-9299.